

## Message Text

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ACTION EUR-12

INFO OCT-01 EB-08 ISO-00 DOEE-00 INRE-00 ICAE-00 SSO-00  
NSCE-00 SOE-02 AID-05 CEA-01 CIAE-00 COME-00  
DODE-00 DOE-15 H-01 INR-10 INT-05 L-03 NSAE-00  
NSC-05 OMB-01 PM-05 OES-09 SP-02 SS-15 STR-07  
TRSE-00 ACDA-12 /119 W  
-----046144 151728Z /43

O 151654Z JUL 78

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 8058

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 03524

PASS DOE FOR BERGOLD AND GOLDMAN, AND DOE/FERC FOR SMITH  
AND ADGER

STATE FOR EUR/CAN AND EB (BOSWORTH)

E.O. 11652: GDS

TAGS: ENRG, CA

SUBJECT: FOOTHILLS' PIPE PROCUREMENT PLAN

REFS: A. OTTAWA 2084; B. STATE 114691; C. OTTAWA 2345

1. SUMMARY. FOOTHILLS HAS PROPOSED AND GOC APPROVED  
PIPE PROCUREMENT FOR CANADIAN SECTION OF ALASKA GAS  
PIPELINE. PLAN PROVIDES FOR INVITATIONAL BIDDING FROM  
SUPPLIERS SELECTED BY FOOTHILLS, WITH PRIORITY GIVEN TO  
CANADIAN SOURCES. EMBASSY INFORMING GOC'S NORTHERN  
PIPELINE AGENCY THAT MORE INFORMATION ABOUT SELECTION CRI-  
TERIA IS NEEDED AND IT HAS INFORMED WASHINGTON AGENCIES  
OF PLAN FOR THEIR VIEW ON ACCEPTABILITY UNDER ARTICLE  
SEVEN OF PIPELINE AGREEMENT. END SUMMARY.

2. IN RESPONSE TO AMBASSADOR'S ORAL AND WRITTEN INQUIRIES,  
PIPELINE COMMISSIONER MITCHELL SHARP SENT LETTER JULY 14  
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ENCLOSING CORRESPONDENCE EARLIER SAME WEEK BETWEEN FOOT-  
HILLS PRESIDENT BLAIR AND GOC DEPUTY PRIMIN MACEACHEN  
IN WHICH BLAIR OUTLINED AND MACEACHEN APPROVED PLAN FOR  
PROCUREMENT OF ALL PIPE FOR CANADIAN SECTION OF ALASKA  
GAS PIPELINE -- APPROXIMATELY 1.5 MILLION TONS OF PIPE,  
PLUS .4 MILLION TONS FOR RELATED DEMPSTER LATERAL.

3. BLAIR'S LETTER CORRESPONDS WITH HIS EARLIER STATED INTENTION (REFTELS) TO PROCURE PIPE THROUGH INVITATIONAL, RATHER THAN OPEN,BIDDING. FIFTY-SIX INCH PIPE, ACCOUNTING FOR SLIGHTLY MORE THAN HALF OF LINE IN CANADA,WOULD BE PROCURED FROM STELCO AND IPSCO (CANADIAN FIRMS) ONLY. SOME U.S. MILLS WOULD BE CONSIDERED FOR CERTIFICATION AS SUPPLIERS FOR OTHER DIAMETER PIPE ACCORDING TO UNSPECIFIED CRITERIA. BIDS FROM FOREIGN SOURCES WOULD BE EVALUATED IN LIGHT OF NATIONAL POLICIES. BLAIR NOTES THAT PROVIDING OPPORTUNITY FOR U.S. MILLS TO BID SHOULD OPEN SIMILAR OPPORTUNITY FOR CANADIAN SUPPLIERS IN U.S. BLAIR CONCLUDES THAT BID DOCUMENTS MAY BE DISPATCHED "AS EARLY AS WEEK OF JULY 17". TEXT OF OPERATIVE PARAGRAPHS OF BLAIR LETTER FOLLOWS.

4. BEGIN QUOTE. IN GENERAL, OUR PROPOSAL IS AS FOLLOWS:

(1) WE INTEND TO INVITE BIDS FOR OUR TOTAL MAINLINE PIPE REQUIREMENTS FOR 36", 42", 48" AND 56" PIPE FROM ALL APPROVED NORTH AMERICAN SUPPLIERS. THE ESTIMATED TOTAL IS ABOUT 1.9 MILLION TONS. IT IS ESTIMATED THAT APPROXIMATELY 1.5 MILLION TONS WILL BE REQUIRED FOR THE CANADIAN PORTION OF THE ALASKA HIGHWAY PIPELINE PROJECT AND APPROXIMATELY 380 THOUSAND TONS FOR THE DEMPSTER CONNECTION.

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(2) ONLY STELCO AND IPSCO ARE DEEMED TO BE APPROVED SUPPLIERS OF 56" PIPE.

(3) THERE ARE SOME U.S. MILLS WHICH WE CONSIDER TO BE CANDIDATES FOR APPROVAL AS PRODUCERS OF OTHER SIZES, SUBJECT TO THE TECHNICAL AND COMMERCIAL EVALUATIONS WE INTEND TO CONDUCT.

(4) TO THE EXTENT THAT OFFSHORE SUPPLIERS EXPRESS INTEREST, WE MAY PROVIDE INFORMATION ON OUR REQUIREMENTS AND CONSIDER SUBMISSIONS.

THERE ARE SEVERAL ASPECTS BEYOND PRICE AND DELIVERY THAT WILL BE TAKEN INTO ACCOUNT WHEN ANALYZING THE BIDS, INCLUDING:

(1) ITS SPONSOR COMPANIES AND FOOTHILLS HAVE A NEED TO ASSURE CONTINUITY OF FUTURE SUPPLY FROM THE CANADIAN PIPE VENDORS, OVER AND ABOVE THIS PROJECT.

(2) FOREIGN SUBMISSIONS WOULD BE CONSIDERED FOR THEIR VALUE, BUT AFTER CONSIDERING NATIONAL PROCURING AND

SUBSIDIZING POLICIES.

(3) EARLY CANADIAN MAINLINE PIPE ORDERS WILL ASSIST THE CANADIAN MILLS WITH THEIR SCHEDULING, SHOULD THEY BE CALLED UPON TO BID ON THE U.S. PORTIONS OF THE PROJECT. THE OPENING OF THE CANADIAN BIDS TO U.S. MILLS SHOULD RESULT IN CANADIAN MILLS HAVING A SIMILAR OPPORTUNITY TO BID IN THE UNITED STATES.

THE TIMING FORESEEN IS AS FOLLOWS:

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 8059

C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 03524

(1)WE ANTICIPATE THAT FOOTHILLS (ALBERTA, SASKATCHEWAN, AND SOUTH BRITISH COLUMBIA) WILL START THE PREBUILDING PHASE IN 1979 AND COMPLETE IT IN 1980. THE BALANCE OF OUR MAINLINE PIPE REQUIREMENTS ON THE ALASKA HIGHWAY PIPELINE PROJECT WILL BE IN 1981, 1982 AND 1983, FOLLOWED BY THE DEMPSTER REQUIREMENTS.

(2) IT IS OUR INTENTION TO PLACE PIPE PROCUREMENT CONTRACTS IN AUGUST 1978. THE CONTRACTS WOULD BE FIRM, CONDITIONAL UPON THE SUPPLIERS MEETING ALL THEIR COMMITMENTS AND THE OBTAINING OF FURTHER APPROVALS NEEDED FOR THE ALASKA HIGHWAY PIPELINE PROJECT. END QUOTE.

5. IN HIS REPLY, MACEACHEN APPROVED PLAN AND REMINDED FOOTHILLS THAT UNTIL ITS GENERAL PROCUREMENT PLAN IS SUBMITTED (DUE BY SEPTEMBER 1) AND APPROVED, HE MUST APPROVE ALL MAJOR PURCHASES. TO EXPEDITE APPROVAL OF PIPE SUPPLY CONTRACTS, MACEACHEN REQUESTED FOOTHILLS TO SUBMIT ALL PROCUREMENT DOCUMENTS AND BIDDERS' LISTS TO PIPELINE AGENCY ADMINISTRATOR MILLICAN (BASED IN CALGARY).

6. IN TRANSMITTING BLAIR-MACEACHEN CORRESPONDENCE, SHARP  
EXPRESSED EXPECTATION U.S. WOULD REGARD PLAN AS CONFORMING  
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TO PIPELINE AGREEMENT AND NOTED BLAIR WOULD LIKELY MAKE  
PIPE PROCUREMENT PLAN PUBLIC SHORTLY. HE ALSO RAISED  
CONCERN ON GOC SIDE OVER RECIPROCAL FLOW OF INFORMATION  
ON PROCUREMENT IN LIGHT OF REPORTS THAT NORTHERN BORDER  
PIPELINE COMPANY, WHICH IS TO EXECUTE ALASKA GAS PROJECT  
IN U.S., PLANS TO SPECIFY LONGITUDINAL WELD PIPE WHICH  
WOULD ELIMINATE SOME POTENTIAL SUPPLIERS.

7. EMBASSY HAS BEEN UNABLE TO CONTACT PIPELINE AGENCY  
OFFICIALS SINCE LETTERS RECEIVED, DUE TO WEEK-END, BUT  
WILL SEEK TO REACH SHARP MONDAY, JULY 17, TO EXPRESS  
CONCERN ABOUT SUPPLIER SELECTION CRITERIA AND RESERVATION  
ABOUT APPARENT COMPETITION LIMITING EFFECTS OF FOOTHILLS'  
PLAN. DEPARTMENT'S GUIDANCE REQUESTED. ENDERS

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## Message Attributes

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Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014